

Memorandum

Omnibus Concepts Amendments

February 2, 2024

To: Members of the Board
From: Robin M. Gilliam, Assistant Director
Thru: Monica R. Valentine, Executive Director
Subject: **Omnibus Concepts Amendments**—Analysis of Comment Letters (Topic D)

INTRODUCTION

The agenda session will consider the comment letters, staff analysis and recommendations on proposed omnibus amendments to Statement of Federal Financial Accounting Concepts 2 (SFFAC) *Entity and Display*. Staff analysis and recommendations are intended to support the Board's review of comment letters.

REQUEST FOR FEEDBACK BY FEBRUARY 9, 2024

Prior to the February Board meeting, please review the briefing materials and respond to the staff questions no later than February 9, 2024. Please provide responses to Robin Gilliam at GilliamR@fasab.gov with a cc to Monica Valentine at ValentineM@fasab.gov.

NEXT STEPS

Pending Board member feedback, staff will finalize a pre-ballot incorporating any changes to SFFAC 2, as appropriate.

ATTACHMENTS

1. Responses, Staff Analysis, and Recommendations
2. Respondent Table of Content and Individual Comment Letters
3. Updated Draft with Tracked Changes
4. Member Comment Form

Staff Analysis

Omnibus Concepts Amendments

February 2, 2024

Topic D - Attachment 1

CONTEXT

As part of the Reporting Model Initiative project, the omnibus concepts amendments proposal would 1) expand concepts in Statement of Federal Financial Accounting Concepts 2 (SFFAC), *Entity and Display*, to include the types of information that may be presented in note disclosures and the role of note disclosures as an integral part of the basic financial statements; and 2) amend MD&A concepts in SFFAC 2 and rescind MD&A concepts in SFFAC 3, *Management's Discussion and Analysis*, to consolidate MD&A concepts into one SFFAC.

FASAB issued the exposure draft (ED), *Omnibus Concepts Amendments: Amending SFFAC 2 With Note Disclosures and MD&A Concepts and Rescinding SFFAC 3 (Omnibus Concepts Amendments or ED)* on August 25, 2023, with comments requested through an online questionnaire by November 27, 2023. Upon release of the ED, FASAB notified constituents through the FASAB website and listserv, the Federal Register, and FASAB newsletter. FASAB also provided news releases to its press contacts, including various news organizations and committees of professional associations generally commenting on EDs in the past. To encourage responses, a reminder notice was provided to FASAB's listserv near the comment deadline. Staff also provided copies of the ED directly to task forces and agencies that were directly impacted by the particular issue in prior years.

FASAB received 12 responses from the following organization types.

Organization Type	Count	Percent
Federal entity (User)	2	17
Federal entity (Preparer)	6	50
Federal entity (Other)	1	8
Association/industry organization	2	17
Nonprofit organization/foundation	1	8
<u>Totals</u>	<u>12</u>	<u>100%</u>

Count	Organization Type	Organization Name (Org Name)	Attach 2 - Ref #
1	Federal entity (User)	EPA, OCFO	10
2	Federal entity (User)	NASA	12
1	Federal entity (Preparer)	Department of Defense	1
2	Federal entity (Preparer)	Social Security Administration	4
3	Federal entity (Preparer)	Department of the Interior	5
4	Federal entity (Preparer)	Department of Energy	6
5	Federal entity (Preparer)	Department of Commerce	8
6	Federal entity (Preparer)	Department of the Treasury	9
1	Federal entity (Other)	Department of Veterans Affairs	11
1	Association/industry organization	AGA	2
2	Association/industry organization	GWSCPA	3
1	Nonprofit organization/foundation	Virginia Society of CPAs	7

The full text of the comment responses is provided as **Attachment 2- Respondent Table of Content and Individual Comment Responses**. Attachment 2 includes a table of contents and identifies respondents in the order responses were received. Staff encourages members to read the responses in their entirety before reading the staff analysis and recommendation for each question below. [Comment letters are also available on the FASAB website.](#)

RESPONSES, STAFF ANALYSIS, AND RECOMMENDATIONS

The majority of respondents agreed with the *Omnibus Concepts Amendments* ED. Staff analyzed each comment to determine what, if any, recommendation the Board should consider. Each question for respondents (QFR) includes A) the Table of Total Responses, B) the Table of Responses and Staff Notes, and C) the Staff Analysis of Responses and Recommendations.

I. Question for Respondents #1

QFR #1: The Board is proposing to amend the note disclosure concepts in paragraph 68 of SFFAC 2, *Entity and Display*. Please refer to paragraphs 3-4.

Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

A. QFR #1 –Total Respondents

Table 1: QFR #1 –Total Respondents

Agree		Partially agree		Disagree		All
%	Number of Respondents	%	Number of Respondents	%	Number of Respondents	Total Respondents
92%	11	8%	1	0%	0	12

B. QFR #1 - Responses and Staff Notes

Table 2: QFR #1 - Responses and Staff Notes

Count	Org Name	Response	Rationale & Staff Notes	Attach 2-Ref #
1	EPA	Agree	EPA agrees with the proposed amendments. They improve the clarity on what is required and expected from the notes. No staff response required because respondent is in agreement and has no recommendations.	10
2	NASA	Agree	The information being amended in SFFAC 2, and the current information in SFFAS 15 and OMB Circular A-136 has no major impact to NASA. Recommendation: Training and a summary of findings should be provided to the Agencies that were not part of the Pilot. Implement a rescission plan to ensure consistency across the Agencies.	12

Table 2: QFR #1 - Responses and Staff Notes				
Count	Org Name	Response	Rationale & Staff Notes	Attach 2-Ref #
			See QFR#1 - staff response #1 below.	
3	DOD	Agree	<p>Amending SFFAC 2 as stated in the Exposure Draft provides additional clarity around the principles for note disclosures and MD&A requirements. Also, it provides the appropriate high-level principles and instructions for all note disclosures and MD&A.</p> <p>No staff response required because respondent is in agreement and has no recommendations.</p>	1
4	SSA	Agree	<p>SSA agrees that the proposed revisions to the concepts will provide sufficient guidance to prepare the required notes in our Agency Financial Report (AFR).</p> <p>No staff response required because respondent is in agreement and has no recommendations.</p>	3
5	Energy	Agree	<p>New paragraph 68 for SFFAC 2 seems to provide more comprehensive, updated, and descriptive language for Financial Statement Notes concepts.</p> <p>No staff response required because respondent is in agreement and has no recommendations.</p>	6
6	Commerce	Agree	<p>The Department agrees with the proposed concepts. The proposed concepts will make SFFAC 2 paragraph 68 more clear and descriptive. These principles can be expected to reduce repetition and improve relevance, clarity, comparability, and consistency of note disclosures.</p> <p>No staff response required because respondent is in agreement and has no recommendations.</p>	8

Table 2: QFR #1 - Responses and Staff Notes

Count	Org Name	Response	Rationale & Staff Notes	Attach 2-Ref #
7	Treasury	Agree	<p>The Department of the Treasury agrees with the proposed amendments as this will provide additional clarity to the preparers of financial statements. In addition to the proposed amendments, we also ask that FASAB please consider striking the following paragraph on Page 2 of SFFAC 2: “SFFAS 7, Accounting for Revenue and Other Financing Sources, amends the above list to include “statement of financing.” SFFAS 7 also presents an illustrative statement of financing to amend the displays shown in Appendix A of SFFAC 2.” The statement of financing is now obsolete. We would also ask FASAB to consider striking the following footnote eight on the bottom of Page 16 in SFFAC 2: “8 The Board is currently developing an Exposure Draft entitled “Revenue and Other Financing Sources” which addresses more fully the types of revenues (i.e., exchange versus nonexchange and earned versus unearned revenues) discussed here.”</p> <p>See QFR#1 - staff response #2 below.</p>	9
8	VA	Agree	<p>The new language provides clarity on the types of information that should be provided for a note disclosure.</p> <p>No staff response required because respondent is in agreement and has no recommendations.</p>	11
9	AGA	Agree	<p>We agree with the proposed note disclosure concepts. We think the new title, the description of the purpose of note disclosures, and the conceptual guidance on appropriate information for note disclosures will all be helpful improvements.</p> <p>No staff response required because respondent is in agreement and has no recommendations.</p>	2
10	GWSCPA	Agree	<p>The FISC agrees with amending the note disclosure concepts in paragraph 68 to improve relevance, clarity, consistency, and comparability of note disclosures among federal entities. However, it is not clear what type of nonfinancial related information</p>	3

Table 2: QFR #1 - Responses and Staff Notes				
Count	Org Name	Response	Rationale & Staff Notes	Attach 2-Ref #
			<p>that might be presented as a note disclosure to demonstrate accountability.</p> <p>See QFR #1 - staff response #3 below.</p> <p>The FISC recommends that the Board consider whether such information is an integral part of the basic financial statements or would be more appropriately presented in the Management's Discussion and Analysis or Other Information sections of the federal entities' financial reports. The FISC also recommends that the Board clarify whether the financial and nonfinancial information referred to in the ED is intended to be the same as the information addressed in SFFAC No. 8, Federal Financial Reporting.</p> <p>See QFR #1 - staff response #4 below.</p>	
11	Virginia Society of CPAs	Agree	<p>The proposal meets the objective of the concepts omnibus project to amend existing concepts for note disclosures and management's discussion and analysis (MD&A) for consistency and application.</p> <p>No staff response required because respondent is in agreement and has no recommendations.</p>	7
12	Interior	Partially agree	<p>If the full list of "types of information" concepts in proposed Paragraph 68 remains, recommendation is 1) to include a statement within Paragraph 68 that not all note disclosures require the four "types of information", but each concept may be applied either individually, collectively, or not at all. 2) Stress the "may be" in the sentence "The types of information that may be presented in note disclosures include". As a preparer, this may lead to increased burden if the list is interpreted as anything other than "may be".</p> <p>See QFR #1 - staff response #5 below.</p> <p>3) 68.c should be taken out. This seems more appropriate in the RSI-MD&A and not "note</p>	5

Table 2: QFR #1 - Responses and Staff Notes				
Count	Org Name	Response	Rationale & Staff Notes	Attach 2-Ref #
			disclosures". See QFR #1 - Staff Response #6 below. 4) MD&A should not be included as part of RSI section in SFFAC 2. MD&A should have its own section in SFFAC 2. See QFR #1 - Staff Response #7 below.	

C. Staff Analysis and Recommendations for QFR #1

Staff analyzed the responses received from the 12 respondents on QFR #1 and determined that five suggestions required a staff response. Respondent suggestions are summarized below [the full comments are available in table 2 above or in Attachment 2] with staff's recommendations.

QFR #1 - Staff Response #1

NASA (Ref #12), suggested that FASAB offer training, a summary of findings be provided about the Pilot, and a rescission implementation plan to ensure consistency across the Agencies.

Staff does not recommend any change to the *Omnibus Concepts Amendments* ED because

- pilot findings are available on the [MD&A project](#) page for the April 2021 meeting, and
- implementation training/guidance will be considered after the final release of the *Management's Discussion and Analysis, Rescinding and Replacing SFFAS 15*.

QFR #1 - Staff Response #2

Treasury (Ref #9), asks that FASAB 1) remove the single paragraph in the Summary on page 2 of SFFAC 2, and 2) remove footnote eight on page 16 of SFFAC 2.

Staff does not recommend any change to the *Omnibus Concepts Amendments* ED for either request.

- 1) The respondent identified a minor clarifying and corrective amendment to a nonauthoritative section of SFFAC 2. Staff concurs and will address the removal of the paragraph on page 2 during the Handbook update process for 2024.
- 2) Staff does not recommend removing footnote 8 from SFFAC 2 at this time because it is out of scope for this project.

QFR #1 - Staff Response #3

GWSPCA (Ref #3), asks what type of nonfinancial related information might be presented as a note disclosure to demonstrate accountability and recommends that the Board consider whether such information is an integral part of the basic financial statements or would be more appropriately presented in the management's discussion and analysis or other information sections of the federal entities' financial reports.

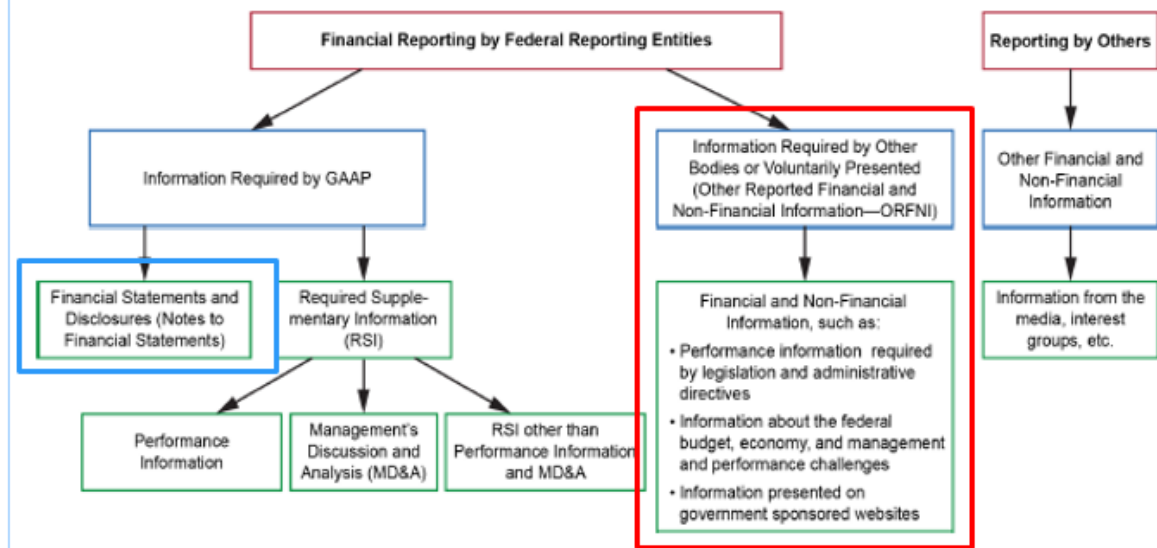
Staff does not recommend any change to the *Omnibus Concepts Amendments* ED. Concept Statements assist the Board in developing note disclosures with the standards. The Board will consider what specific types of nonfinancial information should be disclosed as individual accounting standards are development.

QFR #1 - Staff Response #4

GWSPCA (Reg #3), recommends that the Board clarify whether the financial and nonfinancial information referred to in the ED is intended to be the same as the information addressed in SFFAC No. 8, *Federal Financial Reporting*.

Staff does not recommend any change to the *Omnibus Concepts Amendments* ED. The SFFACs as a whole comprise the Board's conceptual framework and should be read as such. Financial and nonfinancial information as referenced in the Omnibus Concepts Amendments ED for note disclosures relates to information required by GAAP, while SFFAC 8 refers to other reported financial and nonfinancial information (ORFNI) when information is included in financial reports that is not required by GAAP. For example:

- SFFAC 8, paragraph 29. explains that "the government-wide and component reporting entities may present information that is not required by GAAP. These entities may present this information to help achieve the reporting objectives or comply with laws and administrative directives.
- SFFAC 8, figure 1 (shown below), illustrates that **Note Disclosures** includes information required by GAAP (left side), while **ORFNI** (middle) is not GAAP.

Figure 1: Information for Assessing Accountability and for Decisions

Therefore, financial and nonfinancial information referred to in SFFAC 8 is not the same financial and nonfinancial information referred to in the Omnibus Concepts Amendments ED. The Omnibus Concepts Amendments ED will guide members in determining if financial and nonfinancial note disclosures are appropriate as individual accounting standards are development.

QFR #1-Staff Response #5

Interior (#5), requests that Paragraph 68 clearly state that the four types of information are not all required for every note disclosure and may be presented in note disclosures.

Staff does not recommend any change to the *Omnibus Concepts Amendments ED*. Paragraph 68 A – D clearly explains how each type of information may be included. The prominent use of the term “may” throughout paragraph 68 will assist the Board in determining what types of information are appropriate as individual accounting standards are development. For example:

- Paragraph 68 lead sentence states “the types of information that **may be**¹ presented in note disclosures include:”
- 68.A. explains that for relevant information integral to understanding information recognized in financial statement, note disclosures **may explain** or further describe information recognized in financial statements;
- 68.B. explains that *for context or background information regarding the reporting entity and its activities*, note disclosures **may also communicate** information regarding the legislative purpose behind governmental activities and the related financial reporting effect;
- 68.C. explains that for note disclosures **may present information** about past events, current conditions, and uncertainties that have not been recognized in financial statements but may affect the entity’s future resources or use of resources; and
- 68.D. explains that for financial and nonfinancial related information to demonstrate accountability, note disclosures **may also provide** quantitative and qualitative information that demonstrates an entity’s accountability to its citizens, including information that may be helpful in assessing the effects of management’s decision-making on the entity.

QFR #1-Staff Response #6

Interior (Ref #5), requests that paragraph 68.C be taken out as it seems more appropriate in the RSI-MD&A and not note disclosures.

Staff does not recommend any change to the *Omnibus Concepts Amendments* ED. Paragraph 68.C. includes information about past events and current conditions not recognized **but** may be needed in a note disclosure to assess the government’s ability to continue operating at its current levels.

QFR #1-Staff Response #7

Interior (Ref #5), requests that MD&A should not be included as part of RSI section in SFFAC 2. MD&A should have its own section in SFFAC 2.

Staff does not recommend any change to the *Omnibus Concepts Amendments* ED. MD&A is required supplemental information (RSI); therefore, the header is appropriate for all RSI concepts included in SFFAC 2.

¹ Certain content highlighted and bolded for emphasis-not in ED

In conclusion, based on the above analysis of QFR #1 comments, staff does not recommend any changes to the *Omnibus Concepts Amendments* ED.

Question #1 for the Board: Do members agree with staff's analysis and recommendations to QFR #1 responses?

Please provide your answer and comments in the Board Member Comment Form

II. Question for Respondents #2

QFR #2: *The Board is proposing to rescind SFFAC 3, Management's Discussion and Analysis, and consolidate MD&A concepts by amending paragraph 69 of SFFAC 2. Please refer to paragraphs 5-7.*

Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

A. QFR #2 – Total Respondents

Table 1: QFR #2 – Total Respondents

Agree		Partially agree		Disagree		All
%	Number of Respondents	%	Number of Respondents	%	Number of Respondents	Total Respondents
83%	10	17%	2	0%	0	12

B. QFR #2 - Responses and Staff Notes

Table 2: QFR #2 – Responses and Staff Notes

count	Org Name	Response	Rationale & Staff Notes	Attach 2-Ref #
1	EPA	Agree	EPA agrees with the proposed changes. It is more useful to have all requirements for the MD&A in one SFFAC. No staff response required because respondent is in agreement and has no recommendations.	10

Table 2: QFR #2 – Responses and Staff Notes				
count	Org Name	Response	Rationale & Staff Notes	Attach 2-Ref #
2	NASA	Agree	<p>The information being amended in SFFAC 2, and the current information in SFFAS 15 and OMB Circular A-136 has no major impact to NASA.</p> <p>Recommendation: Training and a summary of findings should be provided to the Agencies that were not part of the Pilot. Implement a rescission plan to ensure consistency across the Agencies.</p> <p>See QFR #1 - Staff Response #1 above [NASA provided the same comment in QFR#1]</p>	12
3	DoD	Agree	<p>DoD agrees that amending SFFAC 2 with MD&A instructions from SFFAC 3, and then rescinding SFFAC 3, would reduce preparer workload and improve their understanding of the Concept.</p> <p>No staff response required because respondent is in agreement and has no recommendations.</p>	1
4	SSA	Agree	<p>SSA agrees that the proposed revisions to the concepts will provide sufficient guidance to prepare the required Management's Discussion and Analysis (MD&A) in our AFR, as the Entity and Display SFFAC provides a high-level summary of what should be presented in an entity's MD&A. Also, the ongoing FASAB project to rescind and replace SFFAS 15 with a more streamlined and comprehensive standard that takes into consideration the former information in SFFAC 3 and SFFAS 15 and combines and updates the guidance into a new standard, should achieve the goal of consolidating like guidance into one location.</p> <p>No staff response required because respondent is in agreement and has no recommendations.</p>	4
5	Energy	Agree	<p>New paragraph 69 for SFFAC 2 seems to provide more comprehensive, updated, and descriptive language pertaining to MD&A concepts. It also seems acceptable to rescind SFFAC3/SFFAS15 and replace with a more updated, cohesive, and comprehensive standard.</p>	6

Table 2: QFR #2 – Responses and Staff Notes				
count	Org Name	Response	Rationale & Staff Notes	Attach 2-Ref #
			No staff response required because respondent is in agreement and has no recommendations.	
6	Commerce	Agree	<p>The Department agrees with the proposed concepts for MD&A and consolidating MD&A concepts into SFFAC 2. The Department is aware of the Statement of Federal Financial Accounting Standards Exposure Draft, Management's Discussion and Analysis, Rescinding and Replacing SFFAS 15 (September 7, 2023), where MD&A standards are proposed that will merge and update relevant content from SFFAC 3 and SFFAS 15.</p> <p>No staff response required because respondent is in agreement and has no recommendations.</p>	8
7	Treasury	Agree	<p>The Department of the Treasury agrees with the rescission of SFFAC 3 and amendments to paragraph 69 of SFFAC 2 as it will provide streamlined information for preparers of the MD&A.</p> <p>No staff response required because respondent is in agreement and has no recommendations.</p>	9
8	GWSCPA	Agree	<p>The FISC generally agrees with the Board's decision for the reasons stated in the ED.</p> <p>Other Comments: The FISC recommends that the references in other standards to paragraph 68 of SFFAC No. 2 and SFFAC No. 3 be updated as a result of the proposed amendments in this ED.</p> <p>See QFR #2 - staff response #1 below.</p>	3
9	Virginia Society of CPAs	Agree	<p>The proposal meets the objective of the concepts omnibus projects to amend existing concepts for note disclosures and management's discussion and analysis (MD&A) for consistency and application.</p> <p>No staff response required because respondent is in agreement and has no recommendations.</p>	7

Table 2: QFR #2 – Responses and Staff Notes

count	Org Name	Response	Rationale & Staff Notes	Attach 2- Ref #
10	Interior	Agree	<p>We agree with the proposal to rescind SFFAC 3, Management’s Discussion and Analysis, and consolidate MD&A concepts by amending paragraph 69 of SFFAC 2.</p> <p>No staff response required because respondent is in agreement and has no recommendations.</p>	5
11	VA	Partially agree	<p>The proposed concepts should specifically mention that entities should prevent duplicative and/or repetitive information in the MD&A section and within the note disclosures themselves. This can be done with specific cross references to applicable financial statements and/or disclosure notes. The focus should be to give brief facts to taxpayers about efficient use of government funding and major risks, achievements, and or setbacks related to achieving strategies/goals and using applicable amounts in financial statements/notes.</p> <p>See QFR #2 - staff response #2 below.</p>	11
12	AGA	Partially agree	<p>We agree with rescinding SFFAC 3 and consolidating MD&A concepts into SFFAC 2. We also agree with addition of a new section title to distinguish required supplementary information from note disclosures. However, we find the proposed paragraph 69 to have less conceptual guidance than the extant. We would therefore encourage the Board to consider expanding or re-phrasing paragraph 69.B to more clearly describe the conceptual purpose of MD&A and types of information that are appropriate similar to note disclosures. For example, the proposed paragraph 69.B could be re-phrased as “The types of information that may be presented in MD&A includes ...” if the Board is intending to define areas of scope for MD&A with this paragraph. Or alternatively, the Board may wish to describe appropriate types of information at a more general</p>	12

Table 2: QFR #2 – Responses and Staff Notes				
count	Org Name	Response	Rationale & Staff Notes	Attach 2-Ref #
			<p>level, such as is done in the proposed paragraph 68 for note disclosures or GASB Concept Statement 3 paragraph 44.</p> <p>See QFR #2 - staff response #3 below.</p>	

C. Staff Analysis and Recommendations for QFR #2

Staff analyzed the responses received from the 12 respondents on QFR #2 and determined that three suggestions required a staff response. Respondent suggestions are summarized below [the full comments are available in table 2 above or in Attachment 2] with staff's recommendations.

QFR #2 - Staff Response #1

GWSCPA (ref #3), recommends that the references in other standards to paragraph 68 of SFFAC No. 2 and SFFAC No. 3 be updated as a result of the proposed amendments in this ED.

Staff does not recommend any change to the *Omnibus Concepts Amendments* ED. Updates to other pronouncement are part of policy and procedure when new or amended concepts or standards are issued. This is done as part of preparing a final pronouncement. If changes to SFFAC 2, paragraphs 68 or 69 affect other concepts, a note referring to what has been "affected" will be included on the Handbook status page of the affected SFFACs.

QFR #2 - Staff Response #2

VA (ref #11), said that the proposed concepts should specifically mention that entities should prevent duplicative and/or repetitive information in the MD&A section and within

the note disclosures themselves. This can be done with specific cross references to applicable financial statements and/or disclosure notes. The focus should be to give brief facts to taxpayers about efficient use of government funding and major risks, achievements, and or setbacks related to achieving strategies/goals and using applicable amounts in financial statements/notes.

Staff does not recommend any change to the *Omnibus Concepts Amendments* ED. These concepts will assist the Board in developing note disclosure and MD&A standards. Requirements for how entities should present information in MD&A can be found in paragraphs 8 - 11 in in the *Management's Discussion and Analysis Rescinding and Replacing SFFAS 15* ED.

QFR #2 - Staff Response #3

AGA (ref #2), said it found the proposed paragraph 69 to need more conceptual guidance for MD&A, and the Board might want to include types of information similar to the proposed note disclosure concepts.

Staff does not recommend any change to the *Omnibus Concepts Amendments* ED. Paragraph 69 clearly states the conceptual purpose of MD&A as explained in the following basis for conclusion paragraphs which are based on the Board's intent for this Concepts statement:

- A8. The Board's goals for the MD&A project are to consolidate relevant content from SFFAC 3 and SFFAS 15 into principles-based MD&A standards. The proposed MD&A standards will guide preparers to provide users with balanced, integrated, concise, and understandable Information about the reporting entity's organization and mission; financial position and condition; operating performance, opportunities, and risks; and systems, internal controls, and compliance with applicable laws and regulations.
- A12. This Statement proposes to rescind SFFAC 3 because the Board believes that this proposal consolidates relevant MD&A concepts into paragraph 69 of SFFAC 2 and SFFAC 3 is no longer valid.

In conclusion, based on the above analysis of QFR #2 comments, staff does not recommend any changes to the *Omnibus Concepts Amendments* exposure draft.

Question #2 for the Board - Do members agree with staff's analysis and recommendations to QFR #2 responses?

Please provide your answer and comments in the Board Member Comment Form.

Omnibus Concepts Amendments

February 2024

Topic D - Attachment 2

Respondent Table of Content and Individual Comment Letters

TABLE OF CONTENTS

Reference Number (Ref #)	Respondent	Page Number
1	Department of Defense	3
2	AGA	4
3	Greater Washington Society of CPAs	5
4	Social Security Administration	6
5	Department of the Interior	7
6	Department of Energy	8
7	Virginia Society of CPAs	9
8	Department of Commerce	10
9	Department of Treasury	11
10	Environmental Protection Agency	12
11	Department of Veterans Affairs	13
12	NASA	14

#1 - Department of Defense (DOD)

Organization Type	Organization Name	First name	Last name	Email
Federal entity (Preparer)	Department of Defense	Kim	Laurance	kim.r.laurance.civ@mail.mil

Question for Respondents (QFR) 1: The Board is proposing to amend the note disclosure concepts in paragraph 68 of SFFAC 2, *Entity and Display*. Please refer to paragraphs 3-4. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	Amending SFFAC 2 as stated in the Exposure Draft provides additional clarity around the principles for note disclosures and MD&A requirements. Also, it provides the appropriate high-level principles and instructions for all note disclosures and MD&A.	DOD

QFR 2: The Board is proposing to rescind SFFAC 3, *Management's Discussion and Analysis*, and consolidate MD&A concepts by amending paragraph 69 of SFFAC 2. Please refer to paragraphs 5-7. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	DoD agrees that amending SFFAC 2 with MD&A instructions from SFFAC 3, and then rescinding SFFAC 3, would reduce preparer workload and improve their understanding of the Concept.	DOD

#2 - AGA

Organization Type	Organization Name	First name	Last name	Email
Association/industry organization	AGA	Scott	DeViney	devineys@sao.wa.gov

QFR #1: The Board is proposing to amend the note disclosure concepts in paragraph 68 of SFFAC 2, *Entity and Display*. Please refer to paragraphs 3-4. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	We agree with the proposed note disclosure concepts. We think the new title, the description of the purpose of note disclosures, and the conceptual guidance on appropriate information for note disclosures will all be helpful improvements.	AGA

QFR #2: The Board is proposing to rescind SFFAC 3, *Management's Discussion and Analysis*, and consolidate MD&A concepts by amending paragraph 69 of SFFAC 2. Please refer to paragraphs 5-7. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Partially agree	We agree with rescinding SFFAC 3 and consolidating MD&A concepts into SFFAC 2. We also agree with addition of a new section title to distinguish required supplementary information from note disclosures. However, we find the proposed paragraph 69 to have less conceptual guidance than the extant. We would therefore encourage the Board to consider expanding or re-phrasing paragraph 69.B to more clearly describe the conceptual purpose of MD&A and types of information that are appropriate similar to note disclosures. For example, the proposed paragraph 69.B could be re-phrased as "The types of information that may be presented in MD&A includes ..." if the Board is intending to define areas of scope for MD&A with this paragraph. Or alternatively, the Board may wish to describe appropriate types of information at a more general level, such as is done in the proposed paragraph 68 for note disclosures or GASB Concept Statement 3 paragraph 44.	AGA

#3 - Greater Washington Society of CPAs (GWSCPA)

Organization Type	Organization Name	First name	Last name	Email
Association/industry organization	GWSCPA	Sherif	Ettefa	settefa@kpmg.com

QFR #1: The Board is proposing to amend the note disclosure concepts in paragraph 68 of SFFAC 2, *Entity and Display*. Please refer to paragraphs 3-4. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	The FISC agrees with amending the note disclosure concepts in paragraph 68 to improve relevance, clarity, consistency, and comparability of note disclosures among federal entities. However, it is not clear what type of non-financial related information that might be presented as a note disclosure to demonstrate accountability. The FISC recommends that the Board consider whether such information is an integral part of the basic financial statements or would be more appropriately presented in the Management's Discussion and Analysis or Other Information sections of the federal entities' financial reports. The FISC also recommends that the Board clarify whether the financial and non-financial information referred to in the ED is intended to be the same as the information addressed in SFFAC No. 8, Federal Financial Reporting.	GWSCPA

QFR #2: The Board is proposing to rescind SFFAC 3, *Management's Discussion and Analysis*, and consolidate MD&A concepts by amending paragraph 69 of SFFAC 2. Please refer to paragraphs 5-7. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	The FISC generally agrees with the Board's decision for the reasons stated in the ED. Other Comments: The FISC recommends that the references in other standards to paragraph 68 of SFFAC No. 2 and SFFAC No. 3 be updated as a result of the proposed amendments in this ED.	GWSCPA

#4 - Social Security Administration (SSA)

Organization Type	Organization Name	First name	Last name	Email
Federal entity (Preparer)	Social Security Administration	Jeffrey	Broglie	jeffrey.broglie@ssa.gov

QFR #1: The Board is proposing to amend the note disclosure concepts in paragraph 68 of SFFAC 2, *Entity and Display*. Please refer to paragraphs 3-4. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	SSA agrees that the proposed revisions to the concepts will provide sufficient guidance to prepare the required notes in our Agency Financial Report (AFR).	SSA

QFR #2: The Board is proposing to rescind SFFAC 3, *Management's Discussion and Analysis*, and consolidate MD&A concepts by amending paragraph 69 of SFFAC 2. Please refer to paragraphs 5-7. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	SSA agrees that the proposed revisions to the concepts will provide sufficient guidance to prepare the required Management's Discussion and Analysis (MD&A) in our AFR, as the Entity and Display SFFAC provides a high-level summary of what should be presented in an entity's MD&A. Also, the ongoing FASAB project to rescind and replace SFFAS 15 with a more streamlined and comprehensive standard that takes into consideration the former information in SFFAC 3 and SFFAS 15, and combines and updates the guidance into a new standard, should achieve the goal of consolidating like guidance into one location.	SSA

#5 - U.S. Department of the Interior (Interior)

Organization Type	Organization Name	First name	Last name	Email
Federal entity (Preparer)	Interior	Raymond	Garcia	rpgarcia@ios.doi.gov

QFR #1: The Board is proposing to amend the note disclosure concepts in paragraph 68 of SFFAC 2, *Entity and Display*. Please refer to paragraphs 3-4. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Partially agree	If the full list of "types of information" concepts in proposed Paragraph 68 remains, recommendation is to include a statement within Paragraph 68 that not all note disclosures require the four "types of information", but each concept may be applied either individually, collectively, or not at all. 2) Stress the "may be" in the sentence "The types of information that may be presented in note disclosures include". As a preparer, this may lead to increased burden if the list is interpreted as anything other than "may be". 3) 68.c should be taken out. This seems more appropriate in the RSI-MD&A and not "note disclosures". 4) MD&A should not be included as part of RSI section in SFFAC 2. MD&A should have it's own section in SFFAC 2.	Interior

QFR #2: The Board is proposing to rescind SFFAC 3, *Management's Discussion and Analysis*, and consolidate MD&A concepts by amending paragraph 69 of SFFAC 2. Please refer to paragraphs 5-7. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	We agree with the proposal to rescind SFFAC 3, Management's Discussion and Analysis, and consolidate MD&A concepts by amending paragraph 69 of SFFAC 2.	Interior

#6 - U.S. Department of Energy (Energy)

Organization Type	Organization Name	First name	Last name	Email
Federal entity (Preparer)	Energy	Jeffrey	Carr	jeffrey.carr@hq.doe.gov

QFR #1: The Board is proposing to amend the note disclosure concepts in paragraph 68 of SFFAC 2, *Entity and Display*. Please refer to paragraphs 3-4. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	New paragraph 68 for SFFAC 2 seems to provide more comprehensive, updated and descriptive language for Financial Statement Notes concepts.	Energy

QFR #2: The Board is proposing to rescind SFFAC 3, *Management's Discussion and Analysis*, and consolidate MD&A concepts by amending paragraph 69 of SFFAC 2. Please refer to paragraphs 5-7. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	New paragraph 69 for SFFAC 2 seems to provide more comprehensive, updated and descriptive language pertaining to MD&A concepts. It also seems acceptable to rescind SFFAC3/SFFAS15 and replace with a more updated, cohesive and comprehensive standard.	Energy

#7 - Virginia Society of CPAs

Organization Type	Organization Name	First name	Last name	Email
Nonprofit organization/foundation	Virginia Society of CPAs	Emily	Walker	ewalker@vscpa.com

QFR #1: The Board is proposing to amend the note disclosure concepts in paragraph 68 of SFFAC 2, *Entity and Display*. Please refer to paragraphs 3-4. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	The proposal meets the objective of the concepts omnibus project to amend existing concepts for note disclosures and management's discussion and analysis (MD&A) for consistency and application.	Virginia Society of CPAs

QFR #2: The Board is proposing to rescind SFFAC 3, *Management's Discussion and Analysis*, and consolidate MD&A concepts by amending paragraph 69 of SFFAC 2. Please refer to paragraphs 5-7. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	The proposal meets the objective of the concepts omnibus projects to amend existing concepts for note disclosures and management's discussion and analysis (MD&A) for consistency and application.	Virginia Society of CPAs

#8 - Department of Commerce (Commerce)

Organization Type	Organization Name	First name	Last name	Email
Federal entity (Preparer)	Commerce	Kristin	Salzer	KSalzer@doc.gov

QFR #1: The Board is proposing to amend the note disclosure concepts in paragraph 68 of SFFAC 2, *Entity and Display*. Please refer to paragraphs 3-4. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	The Department agrees with the proposed concepts. The proposed concepts will make SFFAC 2 paragraph 68 more clear and descriptive. These principles can be expected to reduce repetition and improve relevance, clarity, comparability, and consistency of note disclosures.	Commerce

QFR #2: The Board is proposing to rescind SFFAC 3, *Management's Discussion and Analysis*, and consolidate MD&A concepts by amending paragraph 69 of SFFAC 2. Please refer to paragraphs 5-7. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	The Department agrees with the proposed concepts for MD&A and consolidating MD&A concepts into SFFAC 2. The Department is aware of the Statement of Federal Financial Accounting Standards Exposure Draft, Management's Discussion and Analysis, Rescinding and Replacing SFFAS 15 (September 7, 2023), where MD&A standards are proposed that will merge and update relevant content from SFFAC 3 and SFFAS 15.	Commerce

#9 - U.S. Department of Treasury (Treasury)

Organization Type	Organization Name	First name	Last name	Email
Federal entity (Preparer)	Treasury	Valeria	Franks	valeria.franks@treasury.gov

QFR #1: The Board is proposing to amend the note disclosure concepts in paragraph 68 of SFFAC 2, *Entity and Display*. Please refer to paragraphs 3-4. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	The Department of the Treasury agrees with the proposed amendments as this will provide additional clarity to the preparers of financial statements. In addition to the proposed amendments, we also ask that FASAB please consider striking the following paragraph on Page 2 of SFFAC 2: "SFFAS 7, Accounting for Revenue and Other Financing Sources, amends the above list to include "statement of financing." SFFAS 7 also presents an illustrative statement of financing to amend the displays shown in Appendix A of SFFAC 2." The statement of financing is now obsolete. We would also ask FASAB to consider striking the following footnote eight on the bottom of Page 16 in SFFAC 2: "8 The Board is currently developing an Exposure Draft entitled "Revenue and Other Financing Sources" which addresses more fully the types of revenues (i.e., exchange versus non-exchange and earned versus unearned revenues) discussed here."	Treasury

QFR #2: The Board is proposing to rescind SFFAC 3, *Management's Discussion and Analysis*, and consolidate MD&A concepts by amending paragraph 69 of SFFAC 2. Please refer to paragraphs 5-7. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	The Department of the Treasury agrees with the rescission of SFFAC 3 and amendments to paragraph 69 of SFFAC 2 as it will provide streamlined information for preparers of the MD&A.	Treasury

#10 - Environmental Protection Agency OCFO (EPA)

Organization Type	Organization Name	First name	Last name	Email
Federal entity (User)	EPA	Christopher	Osborne	osborne.christopher@epa.gov

QFR #1: The Board is proposing to amend the note disclosure concepts in paragraph 68 of SFFAC 2, *Entity and Display*. Please refer to paragraphs 3-4. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	EPA agrees with the proposed amendments. They improve the clarity on what is required and expected from the notes.	EPA

QFR #2: The Board is proposing to rescind SFFAC 3, *Management's Discussion and Analysis*, and consolidate MD&A concepts by amending paragraph 69 of SFFAC 2. Please refer to paragraphs 5-7. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	EPA agrees with the proposed changes. It is more useful to have all requirements for the MD&A in one SFFAC.	EPA

#11 - Department of Veterans Affairs (VA)

Organization Type	Organization Name	First name	Last name	Email
Federal entity (Other)	VA	Jennifer	Koontz	jennifer.koontz@va.gov

QFR #1: The Board is proposing to amend the note disclosure concepts in paragraph 68 of SFFAC 2, *Entity and Display*. Please refer to paragraphs 3-4. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	The new language provides clarity on the types of information that should be provided for a note disclosure.	VA

QFR #2: The Board is proposing to rescind SFFAC 3, *Management's Discussion and Analysis*, and consolidate MD&A concepts by amending paragraph 69 of SFFAC 2. Please refer to paragraphs 5-7. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Partially agree	The proposed concepts should specifically mention that entities should prevent duplicative and/or repetitive information in the MD&A section and within the note disclosures themselves. This can be done with specific cross references to applicable financial statements and/or disclosure notes. The focus should be to give brief facts to taxpayers about efficient use of government funding and major risks, achievements, and or setbacks related to achieving strategies/goals and using applicable amounts in financial statements/notes.	VA

#12 - National Aeronautics and Space Administration (NASA)

Organization Type	Organization Name	First name	Last name	Email
Federal entity (User)	NASA	Laurese	Hale	Laurese.H.Hale@nasa.gov

QFR #1: The Board is proposing to amend the note disclosure concepts in paragraph 68 of SFFAC 2, *Entity and Display*. Please refer to paragraphs 3-4. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	The information being amended in SFFAC 2, and the current information in SFFAS 15 and OMB Circular A-136 has no major impact to NASA. Recommendation: Training and a summary of findings should be provided to the Agencies that were not part of the Pilot. Implement a rescission plan to ensure consistency across the Agencies.	NASA

QFR #2: The Board is proposing to rescind SFFAC 3, *Management's Discussion and Analysis*, and consolidate MD&A concepts by amending paragraph 69 of SFFAC 2. Please refer to paragraphs 5-7. Do you agree, partially agree, or disagree with the proposed concepts? Please provide the rationale for your answer.

Response	Rationale	Organization Name
Agree	The information being amended in SFFAC 2, and the current information in SFFAS 15 and OMB Circular A-136 has no major impact to NASA. Recommendation: Training and a summary of findings should be provided to the Agencies that were not part of the Pilot. Implement a rescission plan to ensure consistency across the Agencies.	NASA



OMNIBUS CONCEPTS AMENDMENTS

AMENDING SFFAC 2 WITH NOTE DISCLOSURES AND MD&A CONCEPTS AND
RESCINDING SFFAC 3

Statement of Federal Financial Accounting Concepts [XX](#)

~~Exposure Draft~~

WORKING DRAFT

~~Written comments are requested by November 23, 2023~~

~~August 25, 2023~~ [July XX, 2024](#)

Public comments are not requested on this draft

Commented [GR1]: Staff has accepted certain standard changes to convert the ED document to final pronouncement. Examples include removing the transmittal and question for respondents.

Commented [GR2]: SFFACs-Following an affirmative vote of majority of members, it is submitted to Sponsors: OMB, GAO and Treasury for 90 days

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. FASAB publishes the proposed standards in an exposure draft for public comment. In some cases, FASAB publishes a discussion memorandum, invitation for comment, or preliminary views document on a specific topic before an exposure draft. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information and other items of interest are available at www.fasab.gov:

- [Memorandum of Understanding](#) among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board
- [Mission statement](#)
- [Documents for comment](#)
- [Statements of Federal Financial Accounting Standards and Concepts](#)
- [FASAB newsletters](#)

Copyright Information

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from FASAB. However, because this work contains copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

Contact Us

Federal Accounting Standards Advisory Board
441 G Street, NW
Suite 1155
Washington, D.C. 20548
Telephone (202) 512-7350
Fax (202) 512-7366
www.fasab.gov

STATEMENTS OF FEDERAL FINANCIAL ACCOUNTING CONCEPTS

Statements of Federal Financial Accounting Concepts (SFFACs) set forth objectives and fundamentals on which financial accounting and reporting standards are based. The objectives identify the goals and purposes of financial reporting, and the fundamentals are the underlying concepts of financial accounting—concepts that guide the selection of transactions, events, and circumstances to be accounted for; their recognition and measurement; and the means of summarizing and communicating them to interested parties.

Concepts statements guide the Board's development of accounting and reporting standards by providing the Board with a common foundation and basic reasoning on which to consider the merits of alternatives. Also, knowledge of the objectives and concepts the Board considers should help users and others who are affected by or interested in federal financial accounting and reporting standards to understand better the purposes, content, and qualitative characteristics of information provided by federal financial accounting and reporting.

The conceptual framework addresses many of the fundamentals needed to support standards setting. FASAB developed the core of its conceptual framework in the early 1990s. At that time, financial management legislation and administrative directives focused on component entity reporting. Hence, FASAB's second concepts statement, *Entity and Display*, focused on the basis for defining a reporting entity and the display of component entity financial statements. Other concepts statements address financial reporting objectives, qualitative characteristics of information, the intended audience for the financial report of the U.S. Government (FR), elements of accrual basis statements and their measurement attributes, communication methods, and managerial cost accounting.

Through its ongoing conceptual framework project, FASAB has reviewed its early concepts statements and is establishing new statements as needed. The *FASAB Handbook of Accounting Standards and Other Pronouncements, As Amended (FASAB Handbook)* provides a full discussion of FASAB's SFFACs. The FASAB Handbook discusses the difference between SFFACs and generally accepted accounting principles and can be accessed at <https://fasab.gov/accounting-standards/>.

EXECUTIVE SUMMARY

WHAT IS THE BOARD PROPOSING?

~~This proposal would~~

This Statement of Federal Financial Accounting Standards (SFFAS)

- expand concepts in SFFAC 2, *Entity and Display*, to include the types of information that may be presented in note disclosures and the role of note disclosures as an integral part of the basic financial statements; and
- amend MD&A concepts in SFFAC 2 and rescind MD&A concepts in SFFAC 3, *Management's Discussion and Analysis*, to consolidate MD&A concepts into one SFFAC.

HOW WOULD THIS PROPOSAL IMPROVE FEDERAL FINANCIAL REPORTING AND CONTRIBUTE TO MEETING THE FEDERAL FINANCIAL REPORTING OBJECTIVES?

Users rely on note disclosures to better understand the financial statements and reach conclusions about the operating performance and stewardship of government resources. Note disclosures are necessary to enhance understandability of the financial statement for users and to provide insight into the complexity and amount of information reported. ~~This~~ The Omnibus Concepts Amendments amends paragraph 68 of SFFAC 2 ~~proposal would identify and develop with~~ a set of principles ~~for note disclosures~~ to be used by the Board to reduce repetition and improve relevance, clarity, comparability, and consistency ~~of for~~ note disclosures.

Users rely on MD&A to understand management's insights about the reporting entity's financial position, financial condition, and performance of the reporting entity in the context of the entity's mission, organization, and key financial and performance information. The Omnibus Concepts Amendments ~~This proposal would~~ consolidates guidance for the Board on developing MD&A standards by rescinding SFFAC 3, *Management's Discussion and Analysis*, and amending paragraph 69 of SFFAC 2.

TABLE OF CONTENTS

Statements of Federal Financial Accounting Concepts	3
Summary	4
Concepts	6
Scope	6
Note Disclosure Amendments to Paragraph 68 of SFFAC 2	6
Rescission of SFFAC 3	7
MD&A Amendments to Paragraph 69 of SFFAC 2	7
Appendix A: Basis for Conclusions	9
Project history	9
Amending Note Disclosure Concepts	9
Consolidating MD&A Concepts and rescission of SFFAC 3	10
Appendix B: Abbreviations	12
Statements of Federal Financial Accounting Concepts	4
Executive Summary	5
What is the Board Proposing?	5
How Would this Proposal Improve Federal Financial Reporting and Contribute to Meeting the Federal Financial Reporting Objectives?	5
Questions for Respondents	7
Proposed Concepts	8
Scope	8
Note Disclosure Amendments to Paragraph 68 of SFFAC 2	8
Rescission of SFFAC 3	9
MD&A Amendments to Paragraph 69 of SFFAC 2	9
Appendix A: Basis for Conclusions	11
Project history	11
Amending Note Disclosure Concepts	11
Consolidating MD&A Concepts and rescission of SFFAC 3	12
Appendix B: Abbreviations	13

PROPOSED CONCEPTS

SCOPE

1. This Statement of Federal Financial Accounting Concepts (Statement or SFFAC) updates concepts related to the role of note disclosures as an integral part of the basic financial statements and the types of information to present. The Board may use these concepts to help identify efficient and effective ways to disclose information supporting the fair presentation of amounts in the financial statements.
2. This Statement consolidates the Board's concepts for management's discussion and analysis (MD&A) by rescinding SFFAC 3, *Management's Discussion and Analysis*, and updating paragraph 69 of SFFAC 2, *Entity and Display*, to provide a conceptual overview of information that may be included in the MD&A.

NOTE DISCLOSURE AMENDMENTS TO PARAGRAPH 68 OF SFFAC 2

3. The header above paragraph 68 is amended as follows:

"Other Information" "Note Disclosures"
4. Paragraph 68 of SFFAC 2 is rescinded in its entirety and replaced with the following text:

Note Disclosures

68. Financial information is also conveyed through the use of **note disclosures**, which are an integral part of the basic financial statements. Note disclosures may explain, describe, or supplement

- information recognized in financial statements,
- information about the reporting entity,
- information about events and conditions not recognized in the statements, and
- information to assist in understanding and assessing the government's accountability.¹

The types of information that may be presented in note disclosures include:

- A. **Relevant information integral to understanding information recognized in financial statements**—Note disclosures may explain or further describe information recognized in financial statements. Note

¹ Refer to SFFAC 1, *Objectives of Federal Financial Reporting*, par. 71-104 for a further understanding of accountability.

disclosures may include, but are not limited to, such information as the nature of or terms used to describe an item, restrictions on the use of an item, relevant disaggregation of an item, uncertainties in measuring items, methods and assumptions used in estimating an item, and/or significant accounting policies affecting items.

B. Context or background information regarding the reporting entity and its activities—Note disclosures may supplement financial statements to provide information regarding the entity's mission, programs, significant relationships with other entities, and any special restrictions or privileges that apply to the entity in executing programs and the accountability for resources. Note disclosures may also communicate information regarding the legislative purpose behind governmental activities and the related financial reporting effect.

C. Information about past events and current conditions not recognized—Note disclosures may present information about past events, current conditions, and uncertainties that have not been recognized in financial statements but may affect the entity's future resources or use of resources. This information may be used to assess the government's ability to continue operating at its current levels.

D. Financial and nonfinancial related information to demonstrate accountability—Note disclosures may also provide quantitative and qualitative information that demonstrates an entity's accountability to its citizens, including information that may be helpful in assessing the effects of management's decision-making on the entity.

RESCISSION OF SFFAC 3

5. This paragraph rescinds SFFAC 3 in its entirety.

MD&A AMENDMENTS TO PARAGRAPH 69 OF SFFAC 2

6. This paragraph amends SFFAC 2 by inserting the title **Required Supplementary Information** above paragraph 69.

7. Paragraph 69 is rescinded in its entirety and replaced with the following text:

69. In addition to the financial information conveyed in basic information, general information about the reporting entity is included as required supplementary information (RSI):

- A. RSI includes management's discussion and analysis (MD&A) of the reporting entity. MD&A is an important vehicle to communicate management's insights

about the reporting entity, including the reliability of information reported, to increase the understandability and usefulness of the agency financial report.

- B. MD&A summarizes information about the reporting entity's organization and mission; financial position and condition; operating performance, opportunities, and risks; and systems, internal controls, and compliance with applicable laws and regulations.

WORKING DRAFT

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The concepts enunciated in this Statement—not the material in this appendix—should guide the Board in the development of standards for specific transactions, events, or conditions.

PROJECT HISTORY

AMENDING NOTE DISCLOSURE CONCEPTS

- A1. The Federal Accounting Standards Advisory Board (FASAB or “the Board”) added the note disclosures project to its agenda in October 2017 with the objective of improving the relevance, clarity, consistency, and comparability of note disclosures among federal entities. Staff formed a task force to assist the Board with the related research. The Board also conducted a survey on note disclosures in which a majority of respondents indicated that materiality-based judgment might assist them in eliminating redundant and unnecessary note disclosures. Thus, the Board developed materiality concepts and on May 4, 2020, issued Statement of Federal Financial Accounting Concepts (SFFAC) 9, *Materiality*.
- A2. SFFAC 9 clarified existing materiality concepts by discussing the needs of reasonable users, clarifying the concept of misstatement, and identifying specific federal environment considerations.
- A3. Next, the Board focused on a two-phased approach for improving note disclosures. During the initial phase, the Board developed note disclosures concepts; in the second phase the Board will apply the concepts to reexamine existing note disclosure requirements.
- A4. Note disclosures contribute to the usefulness of financial statement line items and help users understand the information in the proper context.² Note disclosures also help users understand the underlying assumptions and uncertainties inherent in the process of measuring the items.³
- A5. This Statement amends note disclosures concepts to assist the Board in the reexamination of note disclosure requirements in existing standards as well as the development of future requirements.

² SFFAC 1, par. 158.

³ SFFAC 1, par. 160.

CONSOLIDATING MD&A CONCEPTS AND RESCISSION OF SFFAC 3

- A6. On June 8, 1999, FASAB issued SFFAC 3, *Management's Discussion and Analysis*, as part of the initial federal financial framework. The SFFAC 3 concepts included standards-like content within the concepts.
- A7. On August 12, 1999, FASAB published an outline of SFFAC 3 as standards in SFFAS 15, *Management's Discussions and Analysis*, to require MD&A as part of the agency financial report. The Board expected agencies to consider the standards-like content in SFFAC 3 in conjunction with SFFAS 15 when preparing MD&As. Practice shows that agencies relied primarily on SFFAS 15 when preparing MD&As.
- A8. The Board's goals for the MD&A project ~~are~~were to consolidate relevant content from SFFAC 3 and SFFAS 15 into principles-based MD&A standards. The ~~proposed~~ MD&A standards will guide preparers to provide users with balanced, integrated, concise, and understandable Information about the reporting entity's organization and mission; financial position and condition; operating performance, opportunities, and risks; and systems, internal controls, and compliance with applicable laws and regulations.
- A9. To achieve these goals, the Board first identified MD&A objectives by analyzing the four reporting objectives found in SFFAC 1, *Objectives of Federal Financial Reporting*, and SFFAC 3: (1) budgetary integrity, (2) operating performance, (3) stewardship, and (4) systems and controls. The Board then drafted an MD&A vision framework.
- A10. The Board requested a pilot to test the MD&A objectives and MD&A draft vision framework. Staff conducted a pilot from January through March 2021, with 17 pilot agencies and 16 users.
- A11. In June 2021, the Board determined the MD&A pilot was successful and the objectives and MD&A draft vision framework were sufficient for consolidating relevant content from SFFAC 3 and SFFAS 15 into principles-based MD&A standards.
- A12. This Statement ~~proposes to rescind~~s SFFAC 3 because the Board believes ~~that this proposal~~it consolidated~~s~~ relevant MD&A concepts into paragraph 69 of SFFAC 2 and SFFAC 3 is no longer valid.

SUMMARY OF OUTREACH EFFORTS AND RESPONSES

A13. FASAB issued the exposure draft (ED), Omnibus Concepts Amendments, on August 25, 2023, with comments requested by November 27, 2023.

- A14. Upon release of the ED, FASAB notified constituents through the FASAB website and listserv, the Federal Register, and FASAB newsletter. FASAB also provided news releases to its press contacts, including various news organizations and committees of professional associations generally commenting on EDs in the past. Staff also provided copies of the ED directly to agencies that were directly impacted by the particular issue in prior years.
- A15. To encourage responses, a reminder notice was provided to FASAB's listserv near the comment deadline.
- A16. FASAB received 12 comment letters from two federal entity users, six federal entity preparers, one federal entity other, two professional associations, and one nonprofit organization. The Board considered responses to the ED at its February 2024 meeting. The Board did not rely on the number in favor of or opposed to a given position. The Board considered each suggestion and weighed the merits of the points raised. The respondents' comments are summarized below.
- A17. The majority of respondents generally agreed with the Omnibus Concepts Amendments. Specifically, respondents generally agreed with the amendments to paragraph 68 that identified information the Board may include when developing note disclosures. Respondents generally agreed with the amendments to paragraph 69 that consolidated concepts for MD&A and rescinded SFFAC 3.
- A18. The Board considered other input provided by respondents that did not result in modifications to the Statement.

BOARD APPROVAL

- A19. The Omnibus Concepts Amendments [TBD approved] for issuance by all members.

A13.

APPENDIX B: ABBREVIATIONS

FASAB	Federal Accounting Standards Advisory Board
MD&A	Management's Discussion and Analysis
RSI	Required Supplementary Information
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards

FASAB Board Members

George A. Scott, Chair

R. Scott Bell

Gila J. Bronner

Robert F. Dacey

Sallyanne Harper

Carol S. Johnson

Patrick McNamee

Terry Patton

Raymond Vicks

FASAB Staff

Monica R. Valentine, Executive Director

Robin M. Gilliam, Assistant Director

Federal Accounting Standards Advisory Board

441 G Street NW
Suite 1155
Washington, DC 20548
Telephone 202-512-7350
FAX 202-512-7366
www.fasab.gov